

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2021-153-S

IN RE: Application of Palmetto Wastewater) **PARTIAL**
 Reclamation, Incorporated for an Adjustment) **STIPULATION**
 of Rates and Charges)

Pursuant to S.C. Code Ann. §1-23-320(F), and all other applicable statutes and regulations, this Partial Stipulation (“Partial Stipulation”) is made by and among the South Carolina Office of Regulatory Staff (“ORS”), Palmetto Wastewater Reclamation, Inc. (“PWR” or the “Company”), and the South Carolina Department of Consumer Affairs (“DCA”) (collectively referred to as the “Parties” or sometimes individually as “Party”).

WHEREAS, the Company prepared and filed on June 16, 2021 an Application for Increase in Rates and Charges (the “Application”);

WHEREAS, the above-captioned proceeding has been established by the Commission pursuant to the procedure set forth in S.C. Code Ann. § 58-5-240 *et seq.*, and the Parties to this Partial Stipulation are parties of record in the above-captioned docket;

WHEREAS, ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code Ann. § 58-4-10(B);

WHEREAS, DCA by law may advocate for the interest of consumers in matters before the Commission pursuant to S.C. Code Ann. § 37-6-604(C);

WHEREAS, ORS conducted an examination of the books and records of the Company relative to: the matters raised in the Application; test-period revenues, operating expenses,

depreciation and taxes paid by the Company; rate base, plant in service, construction work in progress, working capital, capital expenditures; and other relevant accounting matters;

WHEREAS, ORS also examined all accounting and pro forma adjustments proposed by the Company, the Company's rate design, the Company's capital structure and cost of capital, and information related to the Company's operations;

WHEREAS, DCA also examined all accounting and pro forma adjustments proposed by the Company, the Company's proposed capital structure and cost of capital, and information related to the Company's operations;

WHEREAS, the Parties have varying positions regarding the issues in this case;

WHEREAS, the Parties have engaged in discussions to determine if a settlement of some or all of the issues would be in their best interests and, in the case of ORS, in the public interest, and in the case of DCA, in the interest of consumers; and,

WHEREAS, following those discussions, the Parties determined that their interests, the DCA determined the consumer's interest,¹ and ORS determined that the public interest, would be best served by agreeing to this partial stipulation regarding issues raised by the Parties and pending in the above-captioned case under the terms and conditions set forth herein;

NOW, THEREFORE, the Parties hereby stipulate and agree to the following terms.

A. STIPULATION OF TESTIMONY AND WAIVER OF CROSS-EXAMINATION

1. The Parties agree to stipulate into the record before the Commission the pre-filed testimony and exhibits (collectively, the "Stipulated Testimony") of the below witnesses without objection, change, amendment or cross-examination with the exception of changes comparable

¹ The DCA's mission is to protect consumers from inequities in the marketplace through advocacy, mediation, enforcement and education. Consumer interest for the purpose of DCA's representation includes South Carolina residents who purchase utility services primarily for a personal, family or household use.

to those that would be presented via an errata sheet or through a witness noting a correction consistent with this Partial Stipulation. With the exception of ORS Witness Daniel P. Hunnell II, the Parties further agree to the testimony and exhibits of the below witnesses being stipulated into the record without them appearing at the merits hearing on the Application. Should the Commission deny the request that the below witnesses be excused from appearing, the Parties reserve the right to engage in redirect examination of the below witnesses as necessary to respond to issues raised by the examination of their witnesses, if any, by non-Parties, parties that are not signatories to this Partial Stipulation, or the Commission. With respect to ORS Witness Hunnell, the Parties also reserve the right to engage in redirect examination or recross, if there is redirect, as necessary to respond to issues raised by the examination of ORS Witness Hunnell, if any, by non-Parties, parties that are not signatories to this Partial Stipulation, or the Commission.

PWR witnesses:

1. Donald H. Burkett
2. Mujeeb Hafeez

DCA witnesses:

1. Lafayette Morgan, Jr.

ORS witnesses:

1. Christina L. Seale
2. Daniel P. Hunnell II

2. The Parties agree that nothing herein will preclude each party from advancing its respective positions in the event that the Commission does not approve the Partial Stipulation.

B. STIPULATION TERMS

3. As a compromise to all of the positions advanced by the Parties with the exception of the authorized return on equity, the Parties agree to the proposal set out immediately below, and this proposal is hereby adopted, accepted, and acknowledged as the final agreement of the Parties.

4. Without prejudice to the position of any Party in future proceedings, the Parties agree to accept and adopt all recommendations, adjustments, and customer protections in the testimony and exhibits of ORS witnesses unless specifically modified by this Partial Stipulation. The recommendations, adjustments, and customer protections in the testimony and exhibits of ORS witnesses accepted and adopted by the Parties include, but are not limited to, the following:

- a. ORS's recommended adjustment related to the Company's allocation of corporate overhead and shared costs to PWR (ORS's proposed adjustment to PWR's Adjustment 2I – Miscellaneous Expenses);
- b. ORS's recommended adjustment to amortize rate case expenses over three (3) years (ORS's proposed adjustment to PWR's Adjustment 2G – Rate Case Expenses);
- c. The correction to ORS Adjustment 3 – Depreciation Expense described in ORS Witness Seale's Surrebuttal Testimony;
- d. Revenue adjustments proposed by ORS based on the actual number of customers and equivalent residential customers by class as of the end of August 2021; and
- e. The following ratepayer protections described in ORS Witness David J. Garrett's Direct Testimony related to South Carolina Utility System, Inc.'s acquisition of Ni South Carolina, LLC (now Ni South Carolina, Inc.), the parent company of PWR, from Ni Pacolet Milliken Utilities, LLC (the "Acquisition"):
 - i. PWR will not seek recovery of any goodwill associated with the Acquisition in any future rate proceedings;
 - ii. PWR will not seek to recover any acquisition or transaction costs associated with the Acquisition in any future rate proceedings;

- iii. PWR will not in any way be the guarantor of any debt for SouthWest Water Company ("SWWC") or any SWWC affiliate or subsidiary entities unless the debt is incurred for purposes specific to the PWR system and operations;
- iv. Any debt incurred by PWR is and will only be used for purposes specific to the PWR system; and
- v. PWR will not lend cash or any other capital directly to SWWC or any SWWC affiliate or subsidiary entities except for routine and prudent cash management practices.

5. The Parties agree the amount of rate case expenses to be amortized over three (3) years is \$160,000.

6. The Parties agree to amend Adjustment 2L to allow PWR recovery of the additional \$14,336 in chemicals expense requested in PWR Witness Burkett's Rebuttal Testimony.

7. The Parties agree to a capital structure for the Company that includes 45% debt and 55% equity.

8. The Parties agree to a cost of debt for the Company of 3.79%.

9. The Parties agree to various fallout adjustments to reflect the terms above and the return on equity granted by the Commission.

10. The Company agrees to amend its Rate Schedule to remove Section 13 - Limitation of Liability.

11. The Company agrees to amend the last paragraph of Section 1 – Monthly Charge of its Rate Schedule as follows:

The Utility may, at its discretion, for the convenience of the owner, bill a tenant in a multi-unit building consisting of four or more residential units which is served by a master sewer meter or a single sewer connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant. ~~or~~

~~before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.~~

12. The Parties agree to PWR's request to amend Section 12 of its Rate Schedule to increase the maximum amount of its tampering charge to \$500.00.

13. PWR shall not file for a general rate case before eighteen (18) months from the date the final order is issued in this proceeding, such that new rates will not be effective prior to twenty-four (24) months from the date the final order is issued in this proceeding.

C. REMAINING STIPULATION TERMS AND CONDITIONS

14. The Parties agree that this Partial Stipulation is reasonable, is in the public interest, and is in accordance with law and regulatory policy. This Partial Stipulation in no way constitutes a waiver or acceptance of the position of any Stipulating Party in any future proceeding. This Partial Stipulation does not establish any precedent with respect to the issues resolved herein and in no way precludes any Party herein from advocating an alternative position in any future proceeding.

15. ORS is charged with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B), which reads in part:

... 'public interest' means the concerns of the using and consuming public with respect to public utility services, regardless of the class of customer and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes this Partial Stipulation reached among the Parties is in the public interest as defined above.

16. The Parties agree that this Partial Stipulation must be read and construed as a whole and to cooperate in good faith with one another in recommending to the Commission that this Partial Stipulation be accepted and approved by the Commission in its entirety as a fair, reasonable

and full resolution of the issues described herein. The Parties agree to use reasonable efforts before any reviewing court in the event of appeal to defend and support any Commission order issued approving this Partial Stipulation and the terms and conditions contained herein.

17. The Parties ask the Commission to approve this Partial Stipulation in its entirety without exception, modification, or additional provisions.

18. The Parties on behalf of themselves and their agents (including but not limited to their attorneys, hired consultants, and any independent contractors) agree that they have entered into this Partial Stipulation freely and voluntarily and that none of them have been pressured or unduly encouraged to enter into this Partial Stipulation.

19. The Parties agree that signing this Partial Stipulation (a) will not constrain, inhibit, impair, or prejudice their arguments or positions held in future or collateral proceedings; (b) will not constitute a precedent or evidence of acceptable practice in future proceedings; and (c) will not limit the relief, rates, recovery, or rates of return that any Party may seek or advocate for in any future proceeding. If the Commission declines to approve this Partial Stipulation in its entirety and without modification, then any Party may withdraw from the Partial Stipulation without penalty or further obligation.

20. This Partial Stipulation shall be interpreted according to South Carolina law.

21. This Partial Stipulation contains the final and complete agreement of the Parties. There are no other terms or conditions to which the Parties have agreed.

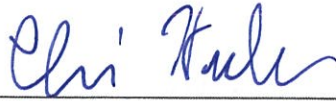
22. The Parties represent that the terms of this Partial Stipulation are based upon full and accurate information known as of the date this Partial Stipulation is executed. If, after execution, but prior to a Commission decision on the merits of this proceeding, a Party is made aware of information that conflicts, nullifies, or is otherwise materially different than that

information upon which this Partial Stipulation is based, that Party may withdraw from the Partial Stipulation with written notice to every other Party.

23. This Partial Stipulation shall bind and inure to the benefit of each of the signatories hereto and their representatives, predecessors, successors, assigns, agents, shareholders, officers, directors (in their individual and representative capacities), subsidiaries, affiliates, parent corporations, if any, joint ventures, heirs, executors, administrators, trustees, and attorneys.

24. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Partial Stipulation, by affixing its signature or by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the Partial Stipulation. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any Party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Partial Stipulation.

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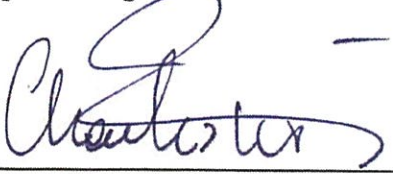
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